



---

# GUIDELINES

---

## COST ACCOUNTING AND ACCOUNTING SEPARATION

Version 1.0

Issue Date: 4th April 2005

---

The information in this communication is confidential and may be legally privileged. It is intended solely for the use of the individual or entity to whom it is addressed and others authorized to receive it. If you are not the intended recipient you are hereby notified to delete and destroy the communication along with any attachment and to advise the sender in accordance. Any disclosure, distribution or taking action in reliance of the contents of this information is strictly prohibited and may be unlawful unless a prior consent of the sender is acquired. Telecommunications Regulatory Authority of the United Arab Emirates 'TRA/sender' is neither liable for the improper, incomplete transmission of the information contained in this communication nor any delay in its receipt. Such information shall not be published or disclosed to others, or used for any purpose and the document shall not be copied in whole or in part unless a prior written consent is acquired from TRA

---

COPYRIGHT 2005 · TELECOMMUNICATIONS REGULATORY AUTHORITY · ALL RIGHTS RESERVED

**Telecommunications Regulatory Authority**  
P O Box 26662  
Abu Dhabi, United Arab Emirates  
Tel: +971 2 6212222 Fax +971 2 6212227  
[www.tra.ae](http://www.tra.ae)

## **Guidelines for Initial Cost Accounting and Accounting Separation**

Separate books, including revenue, operating expense, and capital expense, to be kept for the following categories:

- Fixed Net
- Mobile Net
- Subsidiary companies and partnership investments
- Other

Furthermore, for the category Fixed Net the additional disaggregation is required

- Core network
- Access
- Retail
- Other

Core includes

- The range of services to allow customers of one licensee to reach customers of the same or another licensee and to reach services provided by the same or another licensee.

Core cost disaggregation must show

- Individual network element costs
- Costs joint between 2 or more elements
- Costs common to entire network – e.g., network management systems
- Network support costs – e.g., buildings

Access includes

- Connections between the end user and the core
- Leased lines to licensed operators
- Requires cost disaggregation as in Core above

Retail

- Requires separation enough to show interconnect transfer pricing cost

For the category Mobile Net

- Requires separation enough to show interconnect transfer pricing cost

In creating the Cost Accounting and Accounting Separation system the following principles should be adhered to:

- Cost causality
- Accounting standards
- Transparency

Allocation mechanisms must be explicitly stated and supported.

- Allocation must be direct or directly attributable wherever possible
- Indirectly attributed costs must use appropriate and objective mechanisms for allocation
- The Unattributable cost category must be minimized

Parameters of Initial Cost Accounting and Accounting Separation – 3 step process

- Step 1: top down model using historical cost accounting (HCA)
- Step 2: develop mechanisms for conversion from HCA to current cost accounting (CCA)
- Step 3: develop long run incremental cost (LRIC) for designated services.

LRIC studies are to be performed for the following services included in the TRA Guidelines: Interconnection Version 1.1:

- Originating call conveyance – single transit
- Originating call conveyance – double transit
- Transit call conveyance
- Terminating call conveyance – call terminating service – single transit
- Terminating call conveyance – call terminating service – double transit
- Terminating call conveyance – directory assistance
- Terminating call conveyance – operator services
- Terminating call conveyance – emergency call services
- Terminating call conveyance – short number call services
- Value added services – all value added services, including, but not limited to, 400, 500, 600, 800, and 900 services
- Directory database services
- Network interconnection services
- Leased circuits services
- Bitstream access services